





Lesson Plan

Dependency Exemptions

Time Required: 30 minutes

Introduction	Objectives	Topics
Identifying and entering the correct number of exemptions is a critical component of completing the taxpayer's return.	Determine if a taxpayer can claim an exemption for a dependent by applying the applicable dependency test	 
	Determine how many exemptions a taxpayer can claim for dependents	Dependents Qualifying Child Tests Qualifying Relative Tests Children of Divorced or Separated Parents

Key Terms

Dependency Exemptions: Amount that taxpayers can claim for a “qualifying child” or “qualifying relative.” Each exemption reduces the income subject to tax. The exemption amount is a set amount that changes from year to year. One exemption is allowed for each qualifying child or qualifying relative claimed as a dependent.

Dependency Tests: Tests used for identifying qualifying children or qualifying relatives as dependents.

Dependent: An individual who may be claimed as a dependent on another person's tax return; that is, someone who meets all applicable dependency tests.

Exemptions (Personal or Dependency): Amount that taxpayers can claim for themselves, their spouses, and eligible dependents. An exemption is a dollar amount that can be deducted from an individual's total income, thereby reducing the taxable income.

Qualifying Child: To be identified as a qualifying child and dependent, a person must meet these tests: U.S. citizen or resident test, Joint return test, Dependent taxpayer test, Relationship test, Age test, Support test, Residence test, and Qualifying child of more than one person test.

Qualifying Relative: To be identified as a qualifying relative and dependent, a person must meet these tests: U.S. citizen or resident test, Joint return test, Dependent taxpayer test, Not a qualifying child test, Member of household or relationship test, Support test, and Gross income test.

Teacher Tips

Guidelines for Lesson

Guideline	Instructor Notes	Presentation Aids
Lesson background info	Review the online demo of TaxWise on entering the taxpayer's main information.	TaxWise® Demo: From the Practice Lab, select : <ul style="list-style-type: none"> • TaxWise IRS training • TaxWise Desktop Preparer with VITA/TCE Training menu or the TaxWise Online Preparer with VITA/TCE Training menu • Click the Main Information Part III button.
Provide details and engage the students	Discuss all tips and cautions in detail. Ask students to read and/or role-play examples and sample interviews.	Internet: Link & Learn Taxes (L<) Dependency Exemptions

Topic-specific Tips

Topic Name	Instructor Notes	Presentation Aids
Introduction	Review lesson objectives. Discuss the difference between personal and dependency exemptions. Explain that a dependent must be either a qualifying child or a qualifying relative, and must meet specific rules to qualify. Review list of references. State the presentation time.	Visual: Form 1040 , Page 1, line 6a Form 13614-C , Page 1, Part II – Marital Status and Household Information Pub 4012, Exemptions/ Dependency & Main Info tab, Main Information Screen , Dependents/ Nondependents section

Dependents	<p>Explain how the dependency exemption affects taxable income.</p> <p>Ask questions and prompt students to share what they know about determining who may be claimed as a dependent.</p> <p>Discuss the differences between a qualifying child and qualifying relative.</p> <p>Explain the three rules that apply to both qualifying child and qualifying relative:</p> <ul style="list-style-type: none">• Dependent taxpayer test• Joint return test• Citizen or resident test <p>Refer students to Pub 17, Personal Exemptions and Dependents.</p>	<p>Visuals:</p> <p>L&LT Dependency Exemptions Student Landing Page questions</p> <p>Pub 4012, Exemptions/ Dependency & Main Info tab, Overview of the Rules for Claiming an Exemption for a Dependent</p> <p>Pub 17</p> <p>Internet:</p> <p>Six Important Facts about Dependents and Exemptions</p>
Qualifying Child Tests	<p>Explain details of the five tests that must be met for a qualifying child:</p> <ul style="list-style-type: none">• Relationship• Age• Residency• Support• Qualifying child of more than one person <p>Walk through the steps in Pub 4012, Dependency Exemption interview tips.</p> <p>Point out the special circumstances for kidnapping or birth and death of a child.</p> <p>Discuss the tie-breaker rules that apply to a qualifying child of more than one person.</p>	<p>Visuals:</p> <p>L&LT Dependency Exemptions, Qualifying Child Tests</p> <p>Form 13614-C, Page 1, Part II - Marital Status and Household Information</p> <p>Pub 4012, Exemptions/ Dependency & Main Info tab, Dependency Exemption interview tips</p> <p>Pub 4012, Exemptions/ Dependency & Main Info tab, Qualifying Child of More Than One Person tip</p>
Qualifying Relative Tests	<p>Explain details of the four tests that must be met for a qualifying relative:</p> <ul style="list-style-type: none">• Not a qualifying child• Member of household or relationship test• Gross income• Support	<p>Visuals:</p> <p>L&LT Dependency Exemptions, Qualifying Relative Tests</p> <p>Pub 4012, Exemptions/ Dependency & Main Info tab, Dependency Exemption for Qualifying Relative table</p>

	<p>Review the steps in Pub 4012, Dependency Exemption for Qualifying Relative interview tips.</p> <p>Discuss examples of not a qualifying child.</p> <p>Discuss the different relationships that meet the member of household test.</p> <p>Discuss a multiple-support situation, and when Form 2120 is appropriate.</p>	<p>Pub 4012, Exemptions/ Dependency & Main Info tab, Worksheet for Determining Support</p> <p>Internet: Form 2120, Multiple Support Declaration</p>
Children of Divorced or Separated Parents	<p>Point out that special rules apply if the dependent is supported by parents who are divorced, separated, or live apart.</p> <p>Ask students to explain the difference between custodial and noncustodial parents.</p> <p>Review the steps in Pub 4012, Children of Divorced or Separated Parents or Parents Who Live Apart table.</p> <p>Ask: Who is the custodial parent if the child lived with each parent for an equal number of nights during the year? Answer: The custodial parent is the parent with the higher adjusted gross income.</p> <p>Explain how custodial parents can revoke a release of claim to exemption they previously provided to the noncustodial parent on Form 8332.</p>	<p>Visuals: L&LT Dependency Exemptions, Children of Divorced or Separated Parents</p> <p>Pub 4012, Exemptions/ Dependency & Main Info tab, Children of Divorced or Separated Parents or Parents Who Live Apart table</p> <p>Pub 4012, Exemptions/ Dependency & Main Info tab, Main Information Screen, Dependents/ Nondependents section</p> <p>Internet: Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent</p>
Summary	<p>Review the lesson summary with the class.</p> <p>Ask students how exemptions impact taxable income. Answer: Each dependent exemption reduces the taxpayer's taxable income.</p> <p>Review that a dependent must be the taxpayer's qualifying child or qualifying relative, and how that determination is made.</p>	<p>Visuals: Pub 4012, Exemptions/ Dependency & Main Info tab, Overview of the Rules for Claiming an Exemption for a Dependent</p> <p>Pub 17, Personal Exemptions and Dependents</p> <p>Internet: Six Important Facts about Dependents and Exemptions</p>

References	
L<	Dependency Exemptions
Form 1040	Form 1040 , Line 6c
Form 13614-C	Form 13614-C , Intake/Interview & Quality Review Sheet, Page 1, Part II
Pub 4012	<p>Pub 4012, Volunteer Resource Guide, Exemptions/Dependency & Main Info tab</p> <p>Main Information Screen, Dependents/Nondependents section</p> <p>Overview of the Rules for Claiming an Exemption for a Dependent Qualifying Child of More Than One Person tip</p> <p>Dependency Exemption interview tips</p> <p>Dependency Exemption for Qualifying Relative table</p> <p>Children of Divorced or Separated Parents or Parents Who Live Apart table</p> <p>Worksheet for Determining Support</p>
Pub 17	Pub 17 , Chapter 3, Personal Exemptions and Dependents
Optional	
Pub 501	Pub 501 , Exemptions for Dependents chapter
Form 2120	Form 2120 , Multiple Support Declaration
Form 8332	Form 8332 , Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent

Recommended Classroom Activities



Tax Facts



Assessments



Media: Videos
& Audio



TaxWise
Tutorial



Job Aids



Practice
Lab



Tax Facts: Link & Learn Taxes Dependency Exemptions

Click Tax Facts as a new way to access L< Dependency Exemptions.



Assessments – Summary and Exercises

Click Assessments as a new way to access the Summary and Exercises in L< Dependency Exemptions.



Media: Video & Audio for Lesson

There is no media associated with this lesson.



TaxWise Tips and Resources for Lesson

TaxWise Screen	Main Information Screen, Dependents/Nondependents section
Publication 4012	Exemptions/Dependency section
Practice Lab Tutorial	From the Practice Lab, select: <ol style="list-style-type: none">1. TaxWise IRS training2. TaxWise Desktop Preparer with VITA/TCE Training menu or the TaxWise Online Preparer with VITA/TCE Training menu3. Click the Main Information button
TaxWise Solution Center	https://support.taxwise.com/



Job Aids

ITA and FAQs for Lesson

ITA	Interactive Tax Assistant – Who Can I Claim as a Dependent? http://www.irs.gov/uac/Who-Can-I-Claim-as-a-Dependent%3F
Tax Map	Tax Map – Exemption for Dependent http://taxmap.ntis.gov/taxmap/ts0/dependentexemption_o_1206d202.htm
FAQs	FAQs – Dependents & Exemptions http://www.irs.gov//Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Filing-Requirements,-Status,-Dependents,-Exemptions/Dependents-&-Exemptions
Tax Tip	Tax Tip – Six Important Facts about Dependents and Exemptions http://www.irs.gov/uac/Six-Important-Facts-about-Dependents-and-Exemptions-1
References	References http://apps.irs.gov/app/vita/content/06/references.jsp